

## FAST FACTS

- \* When you use a layaway plan, you pay in full through installments before getting the merchandise.
- \* Ask the seller how much time you will have to pay for the item; when payments are due; what minimum payment is required; and what charges, if any, are added to the purchase price.
- \* Ask about the store's refund policy before you buy. If possible, get it in writing.
- \* Ask the seller to identify your merchandise in writing to ensure that you will receive the exact item you are purchasing.
- \* Keep a record of your payments.

Layaway purchase plans are designed for customers who want to buy merchandise without credit or paying the full price immediately. Layaway plans frequently are offered by discount department stores, or stores that specialize in stereo equipment, appliances, jewelry, or clothing.

## HOW DO LAYAWAYS WORK?

Layaways are different from credit purchases. When you buy on credit, you take the merchandise before you pay. When you use a layaway plan, you pay in full through installments before getting the merchandise.

The terms of layaway plans vary from store to store. With the usual plan, you make a deposit, usually a percentage of the purchase price, and pay over a period of time until you have paid for the item in full. In exchange, the retailer agrees to hold your selection during that time.

## HOW CAN YOU AVOID LAYAWAY PROBLEMS?

To avoid any misunderstandings, get specific information about a store's layaway terms before you participate in its layaway program. Ask the sales clerk

for a written description of the store's layaway plan or, if that is not available, get information concerning the important layaway matters discussed below. If any of the store's conditions are not acceptable to you, you may want to shop elsewhere for layaway merchandise.

**Terms of the Layaway Plan.** It is important to know how much time you will have to pay for the item; when the payments are due; what minimum payment is required; and what charges, if any, are added to the purchase price.

For example, the seller may charge a service or layaway fee. Also, find out if there is a penalty for late payments, such as a charge, or possibly loss of the layaway merchandise.

**Refund Policy.** If you decide that you do not want the merchandise after making some or all of the payments, you may expect a refund. But, retailers' policies may differ about this. Some may give you all of your money back, but others may charge you a layaway service fee that is not refundable.

Some retailers may only give you a credit to apply to a future purchase made in their store. Ask about the store's refund policy before you buy, and, if possible, get it in writing.

**Location, Availability, and Identification of Layaway Merchandise.** Stores often carry two types of merchandise -- items that are available for immediate sale and items on display that will be ordered upon request. If you are buying an item the store keeps in stock, ask if it will be physically set apart from the other merchandise when you begin payments.

For example, some stores may have a separate area or section of their stockroom where they store merchandise being purchased on layaway. If the item you want must be ordered, ask the sales clerk if the item will be ordered in advance so it will be available to you when you make your final payment. This is especially important when you are ordering merchandise needed by a particular date.

To ensure that you receive the exact item you are purchasing, ask the clerk to identify the merchandise in

writing. For example, the merchandise could be described as -- "One (1) blue 2piece suit, Size 10, XYZ Manufacturer, Style No. 123." Many stores have a space on their sales receipt to identify the layaway merchandise.

## WHAT ELSE CAN YOU DO?

Remember, until you finish paying for the layaway item, the retailer has your money and the merchandise. If the store goes bankrupt while you are still paying, your money and the merchandise may be lost. To help avoid this, and to find out if there are any complaints against the store, check the store's reputation with your local Better Business Bureau or consumer protection agency before you buy merchandise on layaway.

In addition, if you have not shopped in that store before, you might start out by purchasing a relatively inexpensive item on its layaway plan.

Also, to avoid any confusion, keep good records of the payments you make on the layaway merchandise. Then, when each installment is due, you will have a reminder of the payments made. These records may be useful later, if you have any disputes with the store.

## WHAT LAWS PROTECT YOU?

There is no federal law that specifically governs layaway plans. The Federal Trade Commission Act, however, makes illegal unfair or deceptive sales practices in or affecting commerce. There also may be state or local laws that cover layaway purchases in your area. To find out about appropriate state or local laws, check with your state or local consumer protection agency and your local Better Business Bureau.

To inquire about possible violation of the Federal Trade Commission Act, write to: Correspondence Branch, Federal Trade Commission, Washington, D.C. 20580, <http://www.ftc.gov>. While the FTC cannot resolve individual disputes, the information you provide may indicate a pattern of practices requiring action by the Commission..

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The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

Answers to Credit Problems  
Applying for Credit  
At Home Shopping Rights  
Bankruptcy Facts  
Buried in Debt  
Car Financing Scams  
Charge Card Fraud  
Choosing A Credit Card  
Co-Signing  
Credit and Divorce  
Credit and Older Consumers  
Deep in Debt?  
Equal Credit Opportunity  
Fair Credit Reporting  
Fair Debt Collection  
Gold Cards  
Hang up on Fraud  
High Rate Mortgages  
Home Equity Credit Lines  
How to Avoid Bankruptcy  
Indiana Uniform Consumer Credit Code  
Look Before you Lease  
Mortgage Loans  
Repossession  
Reverse Mortgage Loans  
Rule of 78s – What is it?  
Scoring for Credit  
Shopping for Credit  
Using Credit Cards  
Variable Rate Credit  
What is a Budget?  
What is the DFI?

Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information.



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# Layaway Purchase Plans



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